

Pricing Supplement

29 July 2005

KAUPTHING BANK HF.

**Issue of £ 6,000,000 European Supertracker Notes linked to the Dow Jones EURO STOXX 50® Index due
July 2011
under the €8,000,000,000
Euro Medium Term Note Programme**

This document constitutes the Pricing Supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated 17th December, 2004. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular.

Purchase of these Notes involves substantial risks and is suitable only for sophisticated investors who have the knowledge and experience in financial and business matters (including investments linked to equity indices) necessary to enable them to evaluate the risks and the merits of an investment in the Notes. Prospective investors should ensure that they understand the nature of the risks posed by, and the extent of their exposure under, the Notes. Prospective investors should make all pertinent inquiries they deem necessary without relying on the Issuer or J.P. Morgan Securities Ltd. ("JPMSL"). Prospective investors should consider the suitability of the Notes as an investment in light of their own circumstances, investment objectives, tax position and financial condition. Prospective investors should consider carefully all the information set forth in this Pricing Supplement along with all the information set forth in the Offering Circular. Prospective investors should pay particular attention to the section entitled "Certain Investment Considerations" in Annex C to this Pricing Supplement.

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|-----|-----------------------------------|--|
| 1. | Issuer: | Kaupthing Bank hf. |
| 2. | (i) Series Number: | 31 |
| | (ii) Tranche Number: | 1 |
| 3. | Specified Currency or Currencies: | Sterling ("£") |
| 4. | Aggregate Nominal Amount: | |
| | (i) Series: | £ 6,000,000 |
| | (ii) Tranche: | £ 6,000,000 |
| 5. | (i) Issue Price: | 100.00 per cent. of the Aggregate Nominal Amount |
| | (ii) Net proceeds | £ 6,000,000 |
| 6. | Specified Denominations: | £ 50,000 per Note |
| 7. | (i) Issue Date: | 2 August 2005 |
| | (ii) Interest Commencement Date: | Not Applicable |
| 8. | Maturity Date: | 28 July 2011 |
| 9. | Interest Basis: | Not Applicable. There shall be no amount of interest under the Notes |
| 10. | Redemption/Payment Basis: | Index Linked Redemption – the provisions of Annex A apply |

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|-----|---|----------------|
| 11. | Change of Interest Basis or Redemption/Payment Basis | Not Applicable |
| 12. | Put/Call Options: | Not Applicable |
| 13. | (a) Status of the Notes: | Senior |
| | (b) Date Board approval for issuance of Notes obtained: | Not Applicable |
| 14. | Listing: | None |
| 15. | Method of distribution: | Non-syndicated |

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

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|-----|--|----------------|
| 16. | Fixed Rate Note Provisions: | Not Applicable |
| 17. | Floating Rate Note Provisions: | Not Applicable |
| 18. | Zero Coupon Note Provisions: | Not Applicable |
| 19. | Index Linked Interest Note Provisions: | Not Applicable |
| 20. | Dual Currency Interest Note Provisions: | Not Applicable |

PROVISIONS RELATING TO REDEMPTION

- | | | |
|-----|---|---|
| 21. | Issuer Call: | Not Applicable |
| 22. | Investor Put: | Not Applicable |
| 23. | Final Redemption Amount of each Note: | Applicable – the provisions of Annex A apply |
| 24. | Early Redemption Amount of each Note payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required) or if different from that set out in Condition 7(e): | The provisions of paragraph 41 of Annex A apply |

GENERAL PROVISIONS APPLICABLE TO THE NOTES

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|-----|---|---|
| 25. | Form of Notes: | Temporary Global note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes only upon an Exchange Event |
| 26. | Additional Financial Centre(s) or other special provisions relating to Payment Dates: | Not Applicable |
| 27. | Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): | No |

28. Details relating to Partly Paid Notes: Not Applicable
amount of each payment comprising the
Issue Price and date on which each
payment is to be made and consequences
of failure to pay, including any right of the
Issuer to forfeit the Notes and interest due
on late payment:
29. Details relating to Instalment Notes:
- (i) Instalment Amount(s): Not Applicable
- (ii) Instalment Date(s): Not Applicable
30. Redenomination applicable: Redenomination not applicable
31. Other terms of special conditions: Applicable - See Annex A

DISTRIBUTION

32. (i) If syndicated, names of Managers: Not Applicable
- (ii) Stabilising Manager (if any): Not Applicable
33. If non-syndicated, name of relevant Dealer: J.P.Morgan Securities Ltd.
34. Whether TEFRA D or TEFRA C rules TEFRA D
applicable or TEFRA rules not applicable:
35. Additional selling restrictions: Not Applicable

OPERATIONAL INFORMATION

36. Any clearing system(s) other than Not Applicable
Euroclear and Clearstream, Luxembourg
and the relevant identification number(s):
37. Delivery: Delivery against payment
38. Additional Paying Agent(s) if any: Not Applicable

ISIN: XS0225981470

Common Code: 0225981470

ADDITIONAL DISCLOSURE

Your attention is drawn to the announced offer by the Issuer to acquire through a wholly owned subsidiary the British bank Singer & Friedlander Group plc (Singer & Friedlander). The board of directors of Singer & Friedlander has recommended that its shareholders accept the offer. For further details please see the information disclosed on the Issuer's website at www.Kaupthing.net."

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

By: 


ANNEX A

39. Redemption Amount upon Maturity

If the Notes have not previously been redeemed or purchased and cancelled in accordance with the Conditions (as supplemented and amended herein), the Final Redemption Amount payable by the Issuer on the Maturity Date shall be an amount in sterling calculated by the Calculation Agent in accordance with the following formula:

$$SD \times \left\{ 1 + 5 \times \text{Min} \left[0.135; \text{Max} \left(0; \frac{\text{Index}_f}{\text{Index}_i} - 1 \right) \right] \right\}$$

Where:

"SD" means, in respect of a Note, £ 50,000 (or, if less, its outstanding nominal amount);

"Index_f" means the Index Level on the Final Valuation Date;

"Index_i" means 3302.98 (being the Index Level on the Strike Date);

"Max" means maximum (being the greater of); and

"Min" means minimum (being the lesser of).

40. Other Definitions

The following terms shall have the following definitions (and the Conditions are amended accordingly):

"Calculation Agent" means J.P.Morgan Securities Ltd (or any successor thereof).

"Component Security" means any security comprised in the Index.

"Disrupted Day" means any Scheduled Trading Day on which (a) the Index Sponsor fails to publish the Index Level, (b) the Related Exchange fails to open for trading during its regular trading session or (c) a Market Disruption Event has occurred.

"Early Closure" means the closure on any Exchange Business Day of the Exchange in respect of any Component Security or the Related Exchange prior to its Scheduled Closing Time unless such earlier closing is announced by such Exchange or Related Exchange at least one hour prior to the earlier of (a) the actual closing time for the regular trading session on such Exchange or Related Exchange on such Exchange Business Day and (b) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the relevant Valuation Time on such Exchange Business Day.

"Exchange" means each exchange on which any Component Security is, in the determination of the Calculation Agent, principally traded, or as otherwise determined by the Calculation Agent in its sole discretion, any successor to any such exchanges or any substitute exchanges to which trading in any of the Component Securities underlying the Index has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to such Component Securities on such temporary substitute exchanges as on the original Exchange).

"Exchange Business Day" means any Scheduled Trading Day on which (a) the Index Sponsor calculates and publishes the level of the Index and (b) the Related Exchange is open for trading during its regular trading session, notwithstanding the Related Exchange closing prior to its Scheduled Closing Time.

"Exchange Disruption" means any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general to effect transactions

in, or obtain market values for (a) any Component Security on the Exchange in respect of such Component Security or (b) futures or options contracts relating to the Index on the Related Exchange.

"Final Valuation Date" means 26 July 2011, provided that if such day is not a Scheduled Trading Day or is a Disrupted Day, then it shall nevertheless be deemed to be the Final Valuation Date and the Calculation Agent shall determine the Index Level as of the Valuation Time on that day in accordance with the formula for and method of, calculating the Index last in effect (prior to the occurrence of the Market Disruption Event resulting in such day being a Disrupted Day, if applicable) using the Exchange traded or quoted price as of the Valuation Time on that day of each Component Security comprised in the Index (or, if an event giving rise to a Disrupted Day has occurred in respect of the relevant Component Security on that day, its good faith estimate of the value for the relevant Component Security as of the Valuation Time on that day).

"Index" means the Dow Jones EURO STOXX 50[®] Index (*Bloomberg*[®] ticker: SX5E) as more fully described in Annex B ("Information relating to the Dow Jones EURO STOXX 50[®] Index").

"Index Level" means the level of the Index as determined by the Calculation Agent as at the relevant Valuation Time on the relevant date, as calculated and published by the Index Sponsor or determined as otherwise specified herein.

"Index Sponsor" means, STOXX LIMITED or, failing that, the corporation or entity that, in the determination of the Calculation Agent, (i) is responsible for setting and reviewing the rules and procedures and the methods of calculation and adjustments, if any, related to that Index and (ii) announces (directly or through an agent) the level of the Index on a regular basis during each Scheduled Trading Day.

"Market Disruption Event" means either:

- (a) (i) the occurrence or existence, in respect of any Component Security, of:
 - (A) a Trading Disruption in respect of such Component Security, which the Calculation Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time in respect of the Exchange on which such Component Security is principally traded;
 - (B) an Exchange Disruption in respect of such Component Security, which the Calculation Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time in respect of the Exchange on which such Component Security is principally traded; or
 - (C) an Early Closure in respect of such Component Security; and
- (ii) the aggregate of all Component Securities in respect of which a Trading Disruption, an Exchange Disruption or an Early Closure occurs or exists, comprises 20 per cent. or more of the level of the Index; or
- (b) the occurrence or existence, in respect of futures or options contracts relating to the Index, of (i) a Trading Disruption, (ii) an Exchange Disruption, which in either case the Calculation Agent determines is material, at any time during the one hour period that ends at the Valuation Time in respect of the Related Exchange or (iii) an Early Closure.

For the purposes of determining whether a Market Disruption Event exists in respect of a Component Security at any time, if a Market Disruption Event occurs in respect of such Component Security at that time, then the relevant percentage contribution of that Component Security to the level of the Index shall be based on a comparison of (A) the portion of the level of the Index attributable to that Component Security to (B) the overall level of the Index.

"Related Exchange" means, Eurex or any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in futures or options contracts relating to the

Index has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the futures or options contracts relating to the Index on such temporary substitute exchange or quotation system as on the original Related Exchange), unless otherwise determined by the Calculation Agent.

"Scheduled Closing Time" means, in respect of the Index and a Scheduled Trading Day, the scheduled weekday closing time of the Exchange or Related Exchange on such Scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours.

"Scheduled Trading Day" means any day on which (a) the Index Sponsor is scheduled to publish the level of the Index and (b) the Related Exchange is scheduled to be open for trading for its regular trading session.

"Strike Date" means 26 July 2005.

"Trading Disruption" means any suspension of or limitation imposed on trading by the Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the Exchange or Related Exchange or otherwise (a) relating to any Component Security on the Exchange in respect of such Component Security or (b) in futures or options contracts relating to the Index on the Related Exchange.

"Valuation Time" means on any day (a) for the purposes of determining whether a Market Disruption Event has occurred in respect of the Index (i) in respect of any Component Security, the close of trading on the Exchange in respect of such Component Security, and (ii) in respect of any options contracts or futures contracts on the Index, the close of trading on the Related Exchange, and (b) in all other circumstances, the time at which the official closing level of the Index is calculated and published by the Index Sponsor.

41. **Early Redemption**

The early redemption amount (the **"Early Redemption Amount"**) payable in respect of any Note, upon redemption of such Note pursuant to Condition 7(b) or upon it becoming due and payable as provided in Condition 10 shall be the amount in sterling determined by the Calculation Agent, in its sole and absolute discretion, to be equal to the fair market value of the Notes immediately prior (and ignoring the circumstances leading) to the date of such early redemption, adjusted to account fully for any reasonable expenses and costs of unwinding any underlying and/or related hedging arrangements (including but not limited to with JPMorgan Chase Bank, N.A. (or any related entity) or any other hedging counterparty selling or otherwise realising any units, shares or other instruments of any type whatsoever hedging the Issuer's obligations under the Notes), all as determined by the Calculation Agent in its sole and absolute discretion.

42. **Adjustments to the Index**

(a) **Successor Index Sponsor calculates and announces an Index**

If any Index is (i) not calculated and announced by the Index Sponsor specified hereon but is calculated and announced by a successor Index Sponsor (the **"Successor Index Sponsor"**) acceptable to the Calculation Agent or (ii) replaced by a successor index using, in the determination of the Calculation Agent, the same or a substantially similar formula for, and method of, calculation as used in the calculation, of that Index, then in each case that index (the **"Successor Index"**) will be deemed to be the Index.

(b) **Index Modification, Index Cancellation and Index Disruption**

If, in the determination of the Calculation Agent, in respect of the Index (i) on or before the Final Valuation Date or other relevant date specified hereon, as the case may be, the Index Sponsor or (if applicable) Successor Index Sponsor announces that it will make a material change in the formula for, or the method of calculating, the Index or in any other way materially modifies that Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in constituent stock and capitalization and other routine events) (an **"Index**

Modification") or permanently cancels the Index and no Successor Index exists (an **"Index Cancellation"**); or (ii) on the Final Valuation Date or other relevant date specified hereon, as the case may be, the Index Sponsor or (if applicable) Successor Index Sponsor fails to calculate and announce the level of the Index (an **"Index Disruption"** (provided that the Calculation Agent, may, in its discretion, determine that such event instead results in the occurrence of a Disrupted Day), and, together with an Index Modification and an Index Cancellation, an **"Index Adjustment Event"**), then the Calculation Agent shall determine if such Index Adjustment Event has a material effect on the Notes and, if so, shall calculate the relevant amount using, in lieu of a published level for such Index, the level for such Index as at the relevant date as determined by the Calculation Agent in accordance with the formula for and method of calculating such Index last in effect prior to that change, failure or cancellation, but using only those securities that comprised such Index immediately prior to that Index Adjustment Event and shall notify the Fiscal Agent and the Noteholders thereof (in accordance with Condition 14). None of the Calculation Agent or the Paying Agents shall have any responsibility in respect of any error or omission or subsequent correcting made in the calculation or publication of an Index, whether caused by negligence or otherwise.

(c) **Correction of Index Levels**

In the event that any price or level published by the Index Sponsor and which is utilized for any calculation or determination is subsequently corrected and the correction is published by the Index Sponsor on or before the Correction Cut-off Date, the Calculation Agent will determine the amount that is payable or deliverable as a result of that correction, and, to the extent necessary, will adjust any relevant terms of the Notes to account for such correction and will notify the Fiscal Agent and the Noteholders thereof (in accordance with Condition 14).

"Correction Cut-off Date" means the Final Valuation Date.

43. **Payment Disruption Event**

- (a) If the Calculation Agent shall, at any time and from time to time, determine that an event beyond the control of the Hedging Entity (a **"Payment Disruption Event"**) has occurred or will occur as a result of which the Hedging Entity is not able or would not be able to receive the proceeds from the sale or other disposal of all or any part of the financial products held by the Hedging Entity, to hedge the Issuer's obligations in respect of the Notes prior to or on any date on which payments in respect of such Notes shall fall due, then the Calculation Agent shall as soon as practicable notify the holders of the relevant Notes of the occurrence of a Payment Disruption Event in accordance with Condition 14 whereupon the provisions of sub-paragraph (b) below shall become applicable.

The following terms shall have the following definitions (and the Conditions are amended accordingly):

"Hedging Entity" means the Issuer or any affiliate(s) of the Issuer or any entity (or entities) acting on behalf of the Issuer engaged in any underlying or hedging transactions in respect of the Issuer's obligations under the Notes.

"Payment Event Cut-Off Date" means a date which is one year after the Maturity Date or any other date on which any amount under the Notes shall be due and payable (as the case may be), or as determined by the Calculation Agent acting in good faith and as specified herein.

- (b) Upon the occurrence of a Payment Disruption Event:
- (i) the Maturity Date or any other date on which principal or any other amount including interest in relation to any of the Notes shall be due and payable (as the case may be) in respect of the Notes shall, subject to sub-paragraph (c) below, be extended to a date falling 14 calendar days (or such other date as may be determined by the Calculation Agent and notified to the Noteholder in accordance with Condition 14) after the date on which the Payment Disruption Event is no longer operating; and
 - (ii) the Issuer's obligation to pay the Final Redemption Amount, or any such other amounts in relation to any of the Notes as may be due and payable (as the case may be) in respect of

the Notes, subject to sub-paragraph (c) below, shall be postponed until 14 calendar days (or such other date as may be determined by the Calculation Agent and notified to the Noteholders in accordance with Condition 14) after the date on which the Payment Disruption Event is no longer operating.

- (iii) For the avoidance of doubt and notwithstanding any provisions to the contrary, (A) any such payments made in accordance with this Condition shall be made after deduction of any costs, expenses or liabilities incurred or to be incurred by the Calculation Agent or Issuer in connection with or arising from the resolution of the relevant Payment Disruption Event(s) (including, without limitation, any additional custodial fees); (B) no accrued interest shall be paid by the Issuer in respect of any delay which may occur in the payment of any amounts due and payable under the Notes as a result of the operation of this paragraph; and (C) any failure by the Issuer to pay any amounts due and payable under the Notes as a result of the operation of this paragraph shall not constitute an Event of Default (as such term is defined in Condition 10) under Condition 10(a)(i).
- (c) In the event that a Payment Disruption Event is still occurring and on the Payment Event Cut-off Date, the Maturity Date shall fall on the Payment Event Cut-off Date and the amount payable by the Issuer in respect of the Notes shall be deemed to be zero. Thereafter, the Issuer shall have no obligations whatsoever under the Notes.

44. **Index Disclaimer**

Each of the Issuer and the Noteholders agrees and acknowledges that the Notes are not sponsored, endorsed, sold or promoted by the Index or the Index Sponsor and the Index Sponsor does not make any representation whatsoever, whether express or implied, either as to the results to be obtained from the use of the Index and/or the levels at which the Index stands at any particular time on any particular date or otherwise. Neither the Index nor Index Sponsor shall be liable (whether in negligence or otherwise) to any person for any error in the Index and the Index Sponsor is under no obligation to advise any person of any error therein. The Index Sponsor is not making any representation whatsoever, whether express or implied, as to the advisability or purchasing or assuming any risk in connection with the Notes. The Issuer shall have no liability to the Noteholders for any act or failure to act by the Index Sponsor in connection with the calculation, adjustment or maintenance of the Index. Except as disclosed prior to the Issue Date specified hereon, neither the Issuer nor its affiliates has any affiliation with or control over the Index or Index Sponsor or any control over the computation, composition or dissemination of the Index. Although the Calculation Agent will obtain information concerning the Index from publicly available sources it believes reliable, it will not independently verify this information. Accordingly, no representation, warranty or undertaking (express or implied) is made and no responsibility is accepted by the Issuer, its affiliates or the Calculation Agent as to the accuracy, completeness and timeliness of information concerning the Index.

45. **Calculations and Notifications**

The Calculation Agent shall determine any relevant amounts as soon as reasonably practicable on the relevant date and shall cause such amounts to be notified to the Issuer and the Agent as soon as reasonably practicable and the Agent shall notify the holders thereof in accordance with Condition 14.

46. **Calculations Binding**

The calculations and determinations of the Calculation Agent shall (save in respect of manifest error) be final and binding upon all parties. The Calculation Agent shall have no responsibility for good faith errors or omissions in any calculation in respect of the Notes as provided therein.

47. **Determinations by the Calculation Agent**

Whenever any matter falls to be determined, considered or otherwise decided upon by the Calculation Agent or any other person (including where a matter is to be decided by reference to the Calculation Agent's or such other person's opinion), unless otherwise stated, that matter shall be determined, considered or otherwise decided upon by the Calculation Agent or such other person, as the case may be, in its sole and absolute discretion.

48. **Responsibility**

Neither the Calculation Agent nor the Issuer shall have responsibility to holders of the Notes for good faith errors or omissions in the Calculation Agent's calculations and determinations as provided in the Conditions, whether caused by negligence or otherwise. The calculations and determinations of the Calculation Agent shall be made in accordance with the Conditions (having regard in each case to the criteria stipulated herein and where relevant on the basis of information provided to or obtained by employees or officers of the Calculation Agent responsible for making the relevant calculation or determination) and shall, in the absence of manifest error, be final, conclusive and binding on the holders of the Notes. Holders of the Notes shall not be entitled to make any claim against the Calculation Agent or the Issuer.

ANNEX B

INFORMATION RELATING TO THE DOW JONES EURO STOXX 50[®] INDEX (for the purposes of this Annex B, the "Index")

The information included herein with respect to the Index consists only of extracts from, or summaries of, publicly available information. Such information has not been prepared in connection with the offering of the Notes. The Issuer accepts responsibility that such information has been accurately extracted or reproduced. No further or other responsibility in respect of such information is accepted by the Issuer and no responsibility whatsoever is accepted by J.P. Morgan Securities Ltd. ("JPMSL"). In particular, neither the Issuer nor JPMSL accepts any responsibility in respect of the accuracy or completeness of the information set forth herein concerning the Index or that there has not occurred any event which would affect the accuracy or completeness of such information.

The Index levels shown in the table below under "Historical Performance" show the high and low levels of the Index for the periods indicated. While the table below provides some historical data regarding the risks of investing in the Index, past results are not necessarily indicative of future performance. Prospective purchasers of the Notes are advised to consult their own legal, tax, accountancy and other professional advisers to assist them in determining the suitability of the Notes for them as an investment. Each prospective purchaser of the Notes should be fully aware of and understand the complexity and risks inherent in the Notes before it makes its investment decision in accordance with the objectives of its business.

The Index

The Index means the Dow Jones EURO STOXX 50[®] Index as calculated and disseminated by STOXX Limited (for the purposes of this Annex, "STOXX" or the "Sponsor"). The name of the Index is a service mark of DOW JONES & COMPANY, INC. (for the purposes of this Annex, "DOW JONES") and has been licensed for certain purposes by the Issuer.

The Dow Jones STOXX Indices are published by STOXX. The Dow Jones STOXX Indices are proprietary to STOXX and/or DOW JONES.

Source: www.stoxx.com (27 July 2005).

The Notes are not sponsored, endorsed, sold or promoted by STOXX or DOW JONES. Neither STOXX nor DOW JONES makes any representation or warranty, express or implied, to the holders of the Notes or any member of the public regarding the advisability of investing in securities generally or in the Notes particularly. The only relationship of STOXX to the Issuer is as the licensor (or subsidiary of the licensor) of the Index and of certain trademarks, trade names and service marks of STOXX, and as the sublicensor of the Index and of certain trademarks, trade names and service marks of DOW JONES. The aforementioned Indices are determined, composed and calculated by STOXX or DOW JONES, as the case may be, without regard to the Issuer or the Notes. Neither STOXX nor DOW JONES is responsible for or has participated in the determination of the timing of, prices at, or quantities of the Notes to be issued or in the determination or calculation of the equation by which the Notes are to be converted into cash. Neither STOXX nor DOW JONES has any obligation or liability in connection with the administration, marketing or trading of the Notes.

Neither STOXX nor DOW JONES guarantees the accuracy and/or the completeness of the Index or any data included therein, and neither shall have any liability for any errors, omissions, or interruptions therein. Neither STOXX nor DOW JONES makes any warranty, express or implied, as to results to be obtained by the Issuer, holders of the Notes or any other person or entity from the use of the Index or any data included therein. Neither STOXX nor DOW JONES makes any express or implied warranty and expressly disclaims all warrants of merchantability or fitness for a particular purpose or use with respect to the Index or any data included therein. Without limiting any of the foregoing, in no event shall either STOXX or DOW JONES have any liability for any lost profits or indirect, punitive, special or consequential damages, even if notified of the possibility thereof. There are no third party beneficiaries of any agreements or arrangements between STOXX and the Issuer.

General Description of the Index

The Index is a free float market capitalization-weighted index sponsored and published by STOXX Limited, a joint venture between two major European exchanges, Deutsche Börse AG and SWX Group, and Dow Jones & Company. The Index is composed of 50 European blue-chip stocks from those countries in the Eurozone. The objective of the Index is to provide a blue-chip representation of Supersector leaders in the Eurozone. This covers Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain.

Within each of the 18 Dow Jones EURO STOXX Supersector indexes, the component stocks are ranked by free-float market capitalization. The largest stocks are added to the selection list until the coverage is close to, but still less than, 60 per cent. of the free-float market capitalization of the corresponding Dow Jones EURO STOXX TMI Supersector index. If the next-ranked stock brings the coverage closer to 60 per cent. in absolute terms, then it is also added to the selection list. Any remaining stocks that are current Dow Jones EURO STOXX 50 components are added to the selection list. The stocks on the selection list are ranked by free-float market capitalization. In exceptional cases, the STOXX Limited Supervisory Board may make additions and deletions to the selection list.

The 40 largest stocks on the selection list are chosen as components. Any remaining current components of the Dow Jones EURO STOXX 50 ranked between 41 and 60 are added as index components. If the component number is still below 50, then the largest stocks on the selection list are added until the index contains 50 stocks.

Source: Dow Jones EURO STOXX 50 Factsheet (as of 31 March 2005), the Dow Jones STOXX[®] Index Guide (May 2005, Version 8.0) and the Dow Jones EURO STOXX 50 Methodology Overview (as of 31 March 2005), all available at the Index website, www.stoxx.com (27 July 2005).

Calculation Methodology and Frequency of Calculation

The Index is calculated with the Laspeyres formula, which measures price changes against a fixed base quantity weight. Each index has a unique index divisor, which is adjusted to maintain the continuity of the index's values across changes due to corporate actions:

$$\text{Index}_t = \frac{\sum_{i=1}^n (p_{it} \cdot s_{it} \cdot \text{ff}_{it} \cdot \text{cf}_{it} \cdot X_{it})}{D_t} = \frac{M_t}{D_t}$$

Where:

- t = Time the Index is computed
- n = Number of companies in the Index
- p_{it} = Price of company (i) at time (t)
- s_{it} = Number of shares of company (i) at time (t)
- ff_{it} = Free float factor of company (i) at time (t)
- cf_{it} = Weighting cap factor of company (i) at time (t) (if index is capped, otherwise equals 1)
- X_{it} = Exchange rate from local currency into Index currency (i.e.
- M_t = Free float market capitalisation of the Index at time (t)
- D_t = Divisor of the Index at time (t)

The base value is equal to 1,000 for the Index.

The Index is only disseminated on days when at least 50 per cent. of the Dow Jones STOXXSM TMI's free float market capitalisation and at least 50 per cent. of the markets (at least eight out of sixteen) are available for trading.

The Index is calculated every fifteen seconds during local trading hours, and published at www.stoxx.com.

Source: Dow Jones EURO STOXX 50 Factsheet (as of 31 March 2005), the Dow Jones STOXX[®] Index Guide (May 2005, Version 8.0) and the Dow Jones EURO STOXX 50 Methodology Overview (as of 31 March 2005), all available at the Index website, www.stoxx.com (27 July 2005).

Index Maintenance and Adjustment

The index divisors are adjusted in the following manner:

$$D_{t+1} = D_t \cdot \frac{\sum_{i=1}^n (p_{it} \cdot s_{it} \cdot ff_{it} \cdot cf_{it} \cdot x_{it}) \pm \Delta MC_{t+1}}{\sum_{i=1}^n (p_{it} \cdot s_{it} \cdot ff_{it} \cdot cf_{it} \cdot x_{it})}$$

where:

D_{t+1} = Divisor at time (t+1)

D_t = Divisor at time (t)

n = Number of companies in the Index

p_{it} = Price of company (i) at time (t)

s_{it} = Number of shares of company (i) at time (t)

ff_{it} = Free float factor of company (i) at time (t)

cf_{it} = Weighting cap factor of company (i) at time (t) (Only applicable if Index is capped)





x_t = Exchange rate from local currency into Index currency (i.e. either EUR or

ΔMC_{t+1} = The difference between the closing market capitalisation of the Index and the adjusted closing market capitalisation of the Index: For companies with corporate actions effective at time (t+1), the free float market capitalisation calculated with adjusted closing prices, the new number of shares at time (t+1) and the free float factor at time (t+1) minus the free float market capitalisation calculated with closing prices, number of shares at time (t) and free float factor at time (t)

The following table summarises the effect of certain types of corporate actions.

For the corporate actions listed below, the following assumptions apply:

- Shareholders will receive 'B' new shares for every 'A' share held (where applicable); and
- If the new shares have a dividend disadvantage – i.e. the new shares have a different dividend from the old shares – the price for these new shares will be adjusted accordingly.

	Effect on Divisor
1. Cash dividend (applied to total return indexes only) Divisor Adjusted price = closing price – dividend announced by the company *(1 – withholding tax)	Divisor 
2. Special cash dividend (applied to price and total return indexes) Adjusted price = closing price – dividend announced by the company *(1 – withholding tax)	Divisor 
3. Split and reverse split Adjusted price = closing price * A / B New number of shares = old number of shares * B / A	Divisor 
4. Rights offering	Divisor 

Adjusted price = (closing price * A + subscription price * B) / (A + B) New number of shares = old number of shares * (A + B) / A	
5. Stock dividend Adjusted price = closing price * A / (A + B) New number of shares = old number of shares * (A + B) / A	Divisor \longleftrightarrow
6. Stock dividend of another company Adjusted price = (closing price * A – price of the other company * B) / A	Divisor \searrow
7. Return of capital and share consolidation Adjusted price = [closing price – dividend announced by company * (1 – withholding tax)] * A / B New number of shares = old number of shares * B / A	Divisor \searrow
8. Repurchase shares/self tender Adjusted price = [(price before tender * old number of shares) – (tender price * number of tendered shares)] / (old number of shares – number of tendered shares) New number of shares = old number of shares – number of tendered shares	Divisor \searrow
9. Spin-Off Adjusted price = (closing price * A – price of spun-off shares * B) / A	Divisor \searrow
10. Combination stock distribution (dividend or split) and rights offering For the above corporate action, the following additional assumptions apply:	
<ul style="list-style-type: none"> Shareholders receive B new shares from the distribution and C new shares from the rights offering for every A shares held. If A is not equal to one share, all the following 'new number of shares' formulae need to be divided by A: 	
– if rights are applicable after stock distribution (one action applicable to other) Adjusted price = [closing price * A + subscription price * C * (1 + B / A)] / [(A + B) * (1 + C / A)] New number of shares = old number of shares * [(A + B) * (1 + C / A)] / A	Divisor \nearrow
– if stock distribution is applicable after rights (one action applicable to other) Adjusted price = [closing price * A + subscription price * C] / [(A + C) * (1 + B / A)] New number of shares = old number of shares * [(A + C) * (1 + B / A)]	Divisor \nearrow
– stock distribution and rights (neither action is applicable to the other) Adjusted price = [closing price * A + subscription price * C] / [A + B + C] New number of shares = old number of shares * [A + B + C] / A	Divisor \nearrow

Source: Dow Jones EURO STOXX 50 Factsheet (as of 31 March 2005), the Dow Jones STOXX® Index Guide (May 2005, Version 8.0) and the Dow Jones EURO STOXX 50 Methodology Overview (as of 31 March 2005), all available at the Index website, www.stoxx.com (27 July 2005).

Historical Performance

The following table sets out the high and low levels for the Index for the periods indicated. The historical performance of the Index should not be taken as an indication of future performance.

Year ended 31 December	High	Low
2002	3864.08	2115.32
2003	2771.51	1847.62

2004	2965.15	2559.88
Twelve months to July 2005	High	Low
August 2004	2716.71	2559.88
September 2004	2797.87	2676.22
October 2004	2849.56	2727.76
November 2004	2932.93	2808.03
December 2004	2960.97	2867.54
January 2005	2989.61	2914.00
February 2005	3091.64	2982.06
March 2005	3117.77	3019.29
April 2005	3100.72	2911.48
May 2005	3096.84	2931.97
June 2005	3190.80	3099.20
July 2005	3333.05	3170.06

Source: Bloomberg® (29 July 2005).

The official closing level of the Index on 28 July 2005 was 3333.05.

Source: Bloomberg® (29 July 2005).

Disclaimer

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ANNEX C

CERTAIN INVESTMENT CONSIDERATIONS

Prospective investors who consider purchasing any Notes should reach an investment decision only after carefully considering the suitability of such Notes in light of their particular circumstances.

Suitability

An investment in the Notes linked to the Index may entail significant risks not associated with investments in a conventional debt security, including the risks set out below.

No Security

The obligations of the Issuer in respect of Notes are not secured.

Index Linked Notes

The Notes are redeemable by the Issuer by payment of an amount determined by reference to the level of the Index, as provided above. Accordingly, an investment in Notes may bear similar market risks to a direct investment in futures and options contracts relating to the Index and investors should take advice accordingly.

Hedging

In the ordinary course of their business, whether or not there will be any secondary market making activities, the Issuer, the Dealer and any hedge counterparty to the Issuer (and any party related to any of the foregoing) may effect transactions for their own account or for the account of their customers and hold long or short positions in futures and options contracts relating to the Indices. In addition, in connection with the offering of the Notes, the Issuer may enter into one or more hedging transactions with respect to the futures and options contracts relating to the Index or related derivatives. In connection with such hedging or market-making activities or with respect to proprietary or other trading activities by the Issuer, the Dealer and any hedge counterparty to the Issuer (and any party related to any of the foregoing) may enter into transactions in futures and options contracts relating to the Index or related derivatives which may affect the market price, liquidity or value of the Notes and which could be deemed to be adverse to the interests of the Noteholders.

Secondary Market

There can be no assurance as to how any Notes will trade in the secondary market, whether there will be a secondary market or whether such market will be liquid or illiquid. Application has not been made to list the Notes on a stock exchange. As a result, pricing information for the Notes may be more difficult to obtain, and the liquidity and market prices of such Notes may be adversely affected.

Market Value of Notes

The market value of Notes will be affected by a number of factors independent of the creditworthiness of the Issuer, including, but not limited to:

- (i) the value and volatility of the Index;
- (ii) market interest and yield rates; and
- (iii) the time remaining to any redemption date or the Maturity Date.

In addition, the levels of the Index may depend on a number of interrelated factors, including economic, financial and political events in one or more jurisdictions, including factors affecting capital markets generally and the Exchange(s) on which the shares underlying the Index may be traded. The price at which a Noteholder will be able to sell Notes prior to maturity may be at a discount, which could be substantial, to the market value of such Notes on the Issue Date, if, at such time, the level of the Index is below, equal to or not sufficiently above the market price of the Index on the Issue Date. The historical level of the Index should not be taken as an indication of the Index's future performance during the term of the Notes.

Issue Price

The Issue Price specified at provision 5 above may be more than the market value of the Notes as at the date of this Pricing Supplement, and the price, if any, at which the Dealer or any other person willing to purchase the Notes in secondary market transactions is likely to be lower than the Issue Price. In particular, the Issue Price takes into account amounts with respect to commissions relating to the issue and sale of the Notes as well as amounts relating to the hedging to the Issuer's obligations under the Notes, and secondary market prices are likely to exclude such amounts. In addition, pricing models of relevant market participants may differ or produce a different result.